



# Digital Assets: Opportunities, Risks, & the Policy Landscape

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## Purpose of Today's Hearing

This presentation is a primer on digital financial assets for policymakers — focused on **what these assets do, why they matter, and where policy is headed.**

This is not a technical briefing on how the underlying technology works.

### Part 1: Foundations

What digital assets are, how they differ from online banking, and where their value comes from.

### Part 2: Applications

Real-world use cases, exchanges, programmable money, and the benefits and risks of adoption.

### Part 3: Policy

Federal and state legislative landscape, California's progress, and policy opportunities ahead.

THE SCALE OF DIGITAL ASSETS TODAY

## By the Numbers

**\$3.2T**

Current crypto market capitalization (Feb 2026)

**55M**

U.S. adults own or use digital assets (~21%)

**\$300B+**

Stablecoin market cap (dollar-pegged assets)

**47**

States have enacted digital asset regulation

**200K+**

U.S. jobs created by the digital asset industry

*Sources: CoinMarketCap (Feb 2026), NCA/Harris Poll (2025), CoinTracker (2025), U.S. Blockchain Coalition (2025)*

## How Is This Different from Online Banking?

**01**

### Control

Online banking moves your money through centralized institutions (banks, processors). Digital assets let users hold and transfer value directly, without an intermediary.

**02**

### Settlement

Bank transfers take 1–5 business days via multiple intermediaries (SWIFT, clearinghouses). Digital asset transactions settle in minutes on a shared ledger, 24/7/365.

**03**

### Access

Traditional banking requires an account with a regulated institution. Digital assets are accessible to anyone with an internet connection — including the ~4% of U.S. households that are unbanked.

**Upside:** Lower costs, faster transactions, greater financial inclusion, and programmable money.

**Downside:** Price volatility, limited consumer protections, irreversible transactions, and evolving regulation.

**These systems are converging**, not competing. Major banks like JPMorgan, Citi, and Fidelity are now building digital asset custody, tokenized payments, and blockchain settlement into their core operations — combining the trust and regulation of traditional banking with the speed and efficiency of digital assets.

# Three Categories of Digital Financial Assets

## Currency

Bitcoin is savings technology — a scarce, decentralized store of value with a hard cap of 21 million coins. Stablecoins (like USDC or Tether) function like a digital checking account — pegged to the U.S. dollar for everyday payments, remittances, and settlement.

**Real-World Example:** El Salvador adopted Bitcoin as legal tender in 2021. The stablecoin market cap now exceeds \$200B, with \$2.5 trillion in real payments settled globally in 2024.

Source: Visa Onchain Analytics

## Tokens

Tokens represent ownership or rights over specific assets. Unlike currency, tokens can symbolize unique items or traditional holdings — NFTs representing digital art or tokenized real estate. Use cases include collectibles, voting rights (governance tokens), and digital ownership proof. Their value is tied to what they represent.

**Real-World Example:** BlackRock's BUIDL fund holds over \$2B in tokenized U.S. Treasury securities — the largest of its kind.

Source: RWA.xyz

## Platforms

Ethereum, Solana, and XRP are not currencies (although they can be used as one) — they are infrastructure where activity happens: sending stablecoins, executing smart contracts, minting NFTs. Think of them less as money and more as the operating system.

**Real-World Example:** Ethereum processes ~2M transactions per day on mainnet alone, with its Layer 2 networks handling 10M+ daily.

Source: Etherscan, L2BEAT

# Stablecoins: The Future of Dollar Payments

Of the three categories, stablecoins have the most immediate policy relevance — they are already being used for payments, remittances, and settlement at scale.

## A Better Payment System

Stablecoin payments settle in seconds — not days — at a fraction of the cost of traditional card networks. Transaction fees drop dramatically because there are no intermediaries taking a cut. And because stablecoin payments don't require sharing credit card numbers, they dramatically reduce the amount of sensitive financial data exposed to breach. This lowers fraud risk by shrinking the attack surface that exists in today's payment infrastructure.

## Safety, Soundness & Bipartisan Support

The GENIUS Act — passed with strong bipartisan support — requires stablecoin issuers to maintain 1-to-1 reserves backed by cash and cash-like instruments such as U.S. Treasuries. Every dollar-pegged stablecoin in circulation is fully backed. The requirement to hold Treasuries creates new demand for U.S. government debt, strengthening lending markets and reinforcing the dollar's global dominance. This is a pro-growth, pro-consumer framework embraced by both sides of the aisle.

**\$300B+** stablecoin market cap — USDC and Tether process trillions in payments annually.

**GENIUS Act** passed Senate 68–30, House 308–122 — the first federal digital asset law.

**Visa, Mastercard, PayPal** now integrating stablecoins into their global payment networks.

## Where Does the Value Come From?

### Bitcoin

Derives its value from its design as a better form of money. It is durable, divisible, portable, fungible, verifiable, and scarce — with a hard cap of 21 million coins. Unlike fiat currency, no government or central bank can inflate its supply. Bitcoin shares monetary properties with gold while adding digital portability and programmatic scarcity.

### Stablecoins

Derive their value from their reserve backing and dollar peg — each coin is redeemable 1-to-1 for U.S. dollars held in cash and Treasuries.

### Platforms

Platforms like Ethereum and Solana derive value from usage — the more applications built on them and the more transactions processed, the more demand there is for the native token that powers the network.

### Tokens

Tokens like NFTs derive value purely from speculation on future desirability — similar to art, collectibles, or trading cards. Their worth is subjective and market-driven. Tokens that represent real-world assets have their value tied to the property or asset they represent.

# Programmable Money: Smart Contracts & Timelocks

Smart contracts are self-executing agreements written in code. When pre-set conditions are met, they automatically execute — no middleman required.

## Timelock

Bitcoin allows users to lock up assets for a set period using programmable rules built into the protocol. The funds literally cannot be moved until the time expires — like a digital certificate of deposit enforced by code.

## Escrow

A smart contract holds funds and only releases them when both parties meet agreed-upon conditions. Think of an automated closing process — the code enforces the deal.

## Multi-Signature

Requires multiple parties to approve a transaction before funds move — like requiring two signatures on a check, but enforced automatically by the network.

These concepts are the building blocks of **Decentralized Finance (DeFi)** — an ecosystem where lending, borrowing, trading, and earning interest are facilitated through smart contracts. DeFi operates 24/7 with full transparency on the blockchain, and is increasingly being integrated into traditional financial services.

# Centralized vs. Decentralized Exchanges

## Centralized Exchanges (CEX)

Platforms like Coinbase and Kraken act as intermediaries, holding users' funds in escrow while facilitating trades. These exchanges provide a seamless user experience, often prioritizing security and regulatory compliance. However, users must trust these platforms to safeguard their assets, leading to potential risks if the exchange faces downtime or a breach.

## Decentralized Exchanges (DEX)

Platforms like Uniswap and Jupiter operate on blockchain technology, enabling direct peer-to-peer trading without intermediaries. Users retain custody of their assets, thereby reducing the risks associated with centralized platforms. While offering enhanced privacy and control, these exchanges may present challenges in terms of user experience, liquidity, and regulatory oversight.

Both models serve different needs and are increasingly complementary. Major centralized exchanges are integrating decentralized features, while decentralized platforms are adding compliance tools — the industry is converging toward hybrid models that balance user control with regulatory requirements.

## Benefits and Opportunities

**01**

Digital assets enhance financial inclusion for previously underbanked populations. Anyone with a smartphone and internet connection can access savings, payments, and lending — no bank account required.

**02**

They provide greater transparency in transactions, reducing fraud and risks. Every transaction is recorded on a public ledger that anyone can audit in real time.

**03**

These innovations lower transaction costs, enabling more efficient financial services. Cross-border remittances that cost \$25–\$50 via wire can settle for pennies on a blockchain.

**04**

Bitcoin mining strengthens electrical grids by acting as flexible load, consuming curtailed renewable energy, and converting wasted methane into productive use.

**05**

Stablecoins reinforce the U.S. dollar's global dominance by creating new demand for Treasuries and enabling instant dollar payments worldwide.

**06**

Digital assets attract high-tech jobs, data center investment, and innovation-driven economic growth to states that embrace clear regulatory frameworks.

## Real-World Use Cases

### Financial Services

- Cross-border remittances settling in minutes, not days
- Small business payments with near-zero fees
- Peer-to-peer lending without bank intermediaries
- Point-of-sale merchant acceptance (Steak 'n Shake, Whole Foods, AT&T)
- Payroll and contractor payments in stablecoins
- Banking access for the ~4% of U.S. households that are unbanked

### Tokenization & Ownership

- Fractional real estate opening investment to everyday people
- Tokenized Treasury bonds traded 24/7 (BlackRock BUIDL: \$2B+)
- Tokenized commodities — gold, oil, carbon credits
- Digital proof of ownership for vehicles, art, and IP
- Supply chain verification and provenance tracking
- Tokenized securities settling same-day vs. T+1

### Energy & Environment

- Flexible grid load — miners ramp down during peak demand
- Consuming curtailed wind and solar that would otherwise be wasted
- Converting stranded or flared methane into productive energy
- Making remote renewable projects economically viable
- Emergency grid response (Winter Storm Elliott: 1,700 MW curtailed)
- Job creation in rural and energy-producing communities

# Who's Already Using Digital Assets?

## Consumer & Payment Companies

- **PayPal** — Buy, sell, hold crypto for 430M+ users. Launched PYUSD stablecoin backed by dollars and Treasuries.
- **Visa** — Stablecoin settlement and crypto-linked debit cards across its global network.
- **Mastercard** — Multi-stablecoin support (USDC, PYUSD, USDG) enabled across its merchant network.
- **Microsoft, AT&T, Whole Foods, AMC** — Accept crypto payments for goods and services.
- **15,000+ businesses worldwide** accept Bitcoin, including ~2,300 in the United States.

## Major Banks & Financial Institutions

- **JPMorgan** — Kinexys blockchain for 24/7 settlement. JPM Coin deposit token. Crypto trading for institutional clients.
- **BNY Mellon** — First major bank to offer digital asset custody (BTC & ETH).
- **Goldman Sachs** — Tokenized money market funds. Restarted crypto trading desk for institutional clients.
- **Fidelity** — Digital asset custody. Received OCC national trust bank charter (Dec 2025).
- **Morgan Stanley** — Bitcoin and crypto trading on E\*Trade launching in 2026.
- **Citi & Charles Schwab** — Both launching crypto custody and spot trading services in 2026.

**Every major Wall Street bank** is now building or has launched digital asset services. In December 2025, the OCC granted national trust bank charters to five digital asset firms — BitGo, Circle, Fidelity, Paxos, and Ripple — a landmark step toward federal-level normalization.

# Bitcoin Mining & Energy: A Deeper Look

## The Numbers

- **52%+ of Bitcoin mining** energy comes from sustainable sources — up from 37% in 2022. (Cambridge, 2025)
- **31,000+ U.S. jobs** created and **\$4.1 billion** in annual GDP from Bitcoin mining alone. (Perryman Group, 2025)
- **75% of global Bitcoin mining** now takes place in the United States. (Cambridge, 2024)
- **\$43B+ in AI and data center contracts** have been built on Bitcoin mining infrastructure — attracting Google, Microsoft, and AWS.

## Grid Stabilization in Action

- **Winter Storm Elliott (Dec 2022):** Texas Bitcoin miners curtailed 1.4 GW of power in minutes — enough to heat 1.5 million homes — stabilizing the grid during a deadly freeze.
- **Winter Storm Fern (Jan 2026):** Bitcoin miners curtailed approximately 12 GW of load across U.S. grids — with ERCOT energy prices spiking to \$1,200/MWh, miners powered down in minutes, freeing critical capacity.
- **How it works:** Mining facilities can go from full power to zero in minutes. ERCOT classifies them as Controllable Load Resources — flexible demand that strengthens grid reliability during every extreme weather event.

Bitcoin mining infrastructure is becoming the backbone of **America's next-generation data center buildout**. Mining sites provide the power interconnects, cooling, and grid relationships that AI and high-performance computing need — creating a natural pipeline from energy infrastructure to technology leadership.

## Potential Risks and Challenges

### 01

Price volatility hampers investor confidence and market stability. Bitcoin has experienced drawdowns exceeding 50% multiple times, posing real risk for short-term holders and state treasuries.

### 02

Regulatory uncertainty can create barriers for innovation and adoption. Businesses may relocate to jurisdictions with clearer frameworks, costing states jobs and tax revenue.

### 03

Cybersecurity threats pose significant risks to asset security and integrity. Exchange hacks and smart contract exploits have resulted in billions of dollars in losses industry-wide.

### 04

Public trust and education gaps remain a barrier — many consumers and policymakers lack foundational knowledge to evaluate digital assets, making them vulnerable to misinformation and scams.

### 05

Consumer protection is limited — irreversible transactions, lost private keys, and lack of FDIC-style insurance mean users bear more risk than in traditional finance.

### 06

Illicit use concerns persist — while blockchain is transparent and traceable, digital assets are still associated with fraud, ransomware, and money laundering in the public eye.

# Myths vs. Facts

**MYTH**

**"Crypto is primarily used for crime."**

**FACT**

Blockchain is **more traceable than cash**. Illicit activity accounts for less than 1% of all crypto transactions. Law enforcement relies on blockchain analytics to track and recover funds. (Chainalysis, 2025)

**MYTH**

**"Bitcoin mining is bad for the environment."**

**FACT**

**52%+ of mining energy is sustainable** (up from 37% in 2022). Miners consume curtailed renewables, convert stranded methane, and stabilize grids as flexible load. (Cambridge CCAF, 2025)

**MYTH**

**"This is too new for serious policy."**

**FACT**

**47 states have enacted digital asset regulation**. The GENIUS Act passed with bipartisan support (Senate 68–30). Bitcoin has operated securely for 17 years. This is established technology with an emerging regulatory framework.

**MYTH**

**"Only speculators use crypto."**

**FACT**

**JPMorgan, BlackRock, Fidelity, PayPal, Visa, and Mastercard** are all building digital asset services. The OCC granted national trust bank charters to five crypto firms in Dec 2025. This is institutional adoption, not speculation.

# Federal Policy Timeline

**SIGNED INTO LAW**

## **GENIUS Act**

July 2025

First federal digital asset law. Senate 68–30, House 308–122. Requires 1:1 stablecoin reserve backing with dollars and Treasuries. Dual federal/state oversight. BSA/AML compliance. Implementation late 2026.

**PASSED HOUSE**

## **CLARITY Act**

July 2025 (House) • In Senate

House 294–134. Defines SEC vs. CFTC jurisdiction — securities vs. commodities. Replaces regulation-by-enforcement with a statutory framework. Senate committees advancing companion bills.

**PENDING • S.954**

## **BITCOIN Act**

Introduced March 2025

Would codify the Strategic Bitcoin Reserve (est. by executive order March 6, 2025). Treasury to acquire up to 1M BTC over 5 years with 20-year hold. Quarterly public reporting with cryptographic attestation.

**PENDING**

## **Tax Policy**

PARITY Act • Dec 2025

\$200 de minimis exemption for stablecoin transactions. Tax deferral on staking/mining rewards (up to 5 years). IRS Form 1099-DA launching 2026 for broker reporting — aligning crypto with traditional securities.

*Legislative status as of February 2026. Subject to change.*

# State Policy Overview

Various states have begun implementing innovative legislation surrounding digital assets, with New Hampshire, Texas, and Arizona leading the way.

## “Digital Asset” Bills Enacted (State Level)

- **Digital Asset Reserve** — State treasury investment in digital assets (NH, AZ, TX)
- **Comprehensive Licensing** — Exchange registration, consumer protection requirements (NY, CA, LA, IL)
- **DAO Frameworks** — Legal entity recognition for decentralized organizations (WY, LA, NH, TN)
- **Unclaimed Digital Property** — State authority to claim abandoned crypto (AZ, CA & Others)
- **Digital Asset Depository** — Crypto-native bank charters (WY SPDI, NE)
- **Crypto as Gov't Payment** — Accepting crypto for taxes and fees (CO, LA)
- **Stablecoin Frameworks** — State-level stablecoin rules (WY Stable Token)
- **Bitcoin/Digital Rights** — Self-custody, node operation, peer-to-peer protections (KY, UT, MT, AR, OK, AZ)
- **Consensus Protections** — Right to mine, zoning preemption, energy use protections (AR, MT, OK, AZ, WY)
- **UCC / Commercial Code** — Digital assets as collateral, Article 12 controllable electronic records (OR + 24 states)
- **Crypto ATM/Kiosk Protection** — Fraud refunds, transaction caps, registration (AZ, AR, CA, CO & Others)
- **Utility Token Exemptions** — Exempting certain tokens from securities laws (MT, WY, CO)
- **Study Commissions / Task Forces** — Research and recommendations (VA, WY, UT, NC & Others)
- **Money Transmitter Modernization** — Updating MTL laws to include/exclude crypto (NH, VT, ME, 26+ others)

# Why California Is Positioned to Lead

## Regulatory Foundation

- **DFAL Licensing (AB 39 / SB 401)** — comprehensive licensing for exchanges, custodians, and stablecoin issuers. Full enforcement July 1, 2026.
- **SB 822** — first state to establish rules for unclaimed digital property. Crypto must be transferred in original form, not liquidated.
- **DFPI oversight** — rulemaking underway with license applications via NMLS to follow. California was one of the first states to build a dedicated regulatory framework.

## The Ecosystem

- **Two of the largest digital asset companies in the world** — Coinbase and Ripple — call California home.
- **1,500+ blockchain and crypto companies** are headquartered in the state, the most of any state in the nation.
- **~27% of CA adults hold or use digital assets** — one of the highest adoption rates in the country, representing millions of Californians.

California has both the regulatory infrastructure and the industry presence to set the standard for digital asset policy. The question is not whether to engage — it's how to continue building on the momentum already underway.

# Policy Opportunities Ahead

**01**

## **Digital Asset Rights**

Codify self-custody, node operation, and peer-to-peer transaction rights for California residents.

**02**

## **State Digital Asset Reserve**

Diversify treasury holdings, hedge against dollar devaluation, and position California alongside early-mover states.

**03**

## **State Bank Digital Services**

Enable state-chartered banks to offer digital asset custody, trading, and settlement services.

**04**

## **DAO Legal Entity Framework**

Give decentralized organizations a legal structure to open bank accounts, enter contracts, and pay taxes.

**05**

## **Renewable Energy Mining**

Position California as a leader in sustainable Bitcoin mining while stabilizing the electrical grid.

**06**

## **State Stablecoin Issuance**

Leverage the GENIUS Act dual oversight framework to create new Treasury demand and state revenue.

**07**

## **Public Education Initiatives**

Help consumers and small businesses understand digital asset risks, rights, and responsible use.

**08**

## **AI & Blockchain Commission**

Study the convergence of AI and blockchain for content authenticity and infrastructure security.

# What's Next for California?

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Discussing responsible digital asset innovation and regulation

**Dennis Porter • Satoshi Action Fund**

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